

## Message Text

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PAGE 01 STATE 161394

53

ORIGIN TRSE-00

INFO OCT-01 EA-11 ISO-00 EB-11 L-03 CIAE-00 INR-11 NSAE-00

RSC-01 H-03 PA-04 PRS-01 USIA-15 AID-20 /081 R

66652

DRAFTED BY:NGORDON/IMW:TRSY/OS

APPROVED BY: EB/IFD/OMA:R. RYAN

TRSY:OS/N. GORDON

EB/IFD/OMA:M. MINNIES

EA/IMS:A. DORBHEIM

L/T:W. MCQUADE

CHARGE TO TX-387

----- 118754

R 251332Z JUL 74

FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

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E.O. 11652: GDS

TAGS: EFIN

SUBJ: INCOME TAX TREATY

REF: JAKARTA 6079 AND 8203; STATE 150126

REVIEW OF NONDISCRIMINATION ISSUE, WHICH IS THE ONLY POINT NOW AT ISSUE IN CONNECTION WITH THE PROPOSED INCOME TAX CONVENTION, HAS PROVOKED CONCERN THAT US ACCEPTANCE OF THE LIMITED CLAUSE THAT INDONESIA HAS PROPOSED MAY LEAVE THE IMPRESSION THERE AND IN OTHER COUNTRIES THAT THE US IS ABANDONING ITS POSITION IN SUPPORT OF EQUAL TAX TREATMENT.

IN AN EFFORT TO REACH A COMPROMISE WHICH WOULD REFLECT THE BASIC US POSITION, EMBASSY IS REQUESTED TO LIMITED OFFICIAL USE

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PAGE 02 STATE 161394

PROPOSE TO GOI THAT THE US PRESENT A NOTE TO THE

INDONESIAN GOVERNMENT AT SIGNATURE OF THE CONVENTION EXPRESSING US VIEW. IF THE INDONESIAN GOVERNMENT IS NOT PREPARED TO APPROVE THE CONTENT, WE WOULD BE CONTENT WITH GOI ACKNOWLEDGEMENT OF ITS RECEIPT. THE US NOT WOULD BE ALONG FOLLOWING LINES:

"DEAR MR. MINISTER: ON THE OCCASION OF OUR SIGNING TODAY OF THE INCOME TAX CONVENTION BETWEEN THE GOVERNMENT OF INDONESIA AND THE GOVERNMENT OF THE UNITED STATES I HAVE THE HONOR TO STATE THE UNDERSTANDING OF THE UNITED STATES GOVERNMENT ITT RESPERT TO ARTICLE 24 WHICH PROVIDES THAT EACH COUNTRY WILL APPLY THE TAXES COVERED BY THE CONVENTION IN A NONDISCRIMINATORY MANNER TO CITIZENS OF THE OTHER COUNTRY WHO ARE RESIDENT WITHIN ITS BORDER AND TO CORPORATIONS CONTROLLED BY RESIDENTS OF THE OTHER COUNTRY DOING BUSINESS WITHIN ITS BORDERS.

"IT HAS BEEN CUSTOMARY IN INCOME TAX CONVENTIONS TO WHICH THE US IS A PARTY TO PROVIDE THAT TH NONDISCRIMINATION PRINCIPLE SHALL APPLY TO ALL THE TAXES THAT ARE LEVIED IN EACH SIGNATORY COUNTRY. THE UNITED STATES WISHES TO REITERATE THAT IT ATTACHES GREAT IMPORTANCE TO THE APPLI-CATION OF THIS PRINCIPLE. HOWEVER, THE US RECOGNIZES THE IMPORTANCE WHICH INDONESIA ATTACHES TO EFFORTS TO INCREASE THE BASIC INDUSTRIAL AND MANAGERIAL SKILLS OF THE INDONESIAN POPULATION AND TO MEASURES DESIGNED TO ACHIEVE THIS OBJECTIVE, SUCH AS THE SPECIAL HEAD TAX IMPOSED ON FOREIGN OWNED ENTERPRISES THAT HAVE FAILED TO ESTABLISH REQUISITE TRAINING PROGRAMS FOR INDONESIAN NATIONALS.

"THE US ALSO RECOGNIZES THE POSSIBILITY THAT OTHER TAX MEASURES MAY BE ADOPTED HAVING SIMILAR OBJECTIVES. HOWEVER, IT IS THE UNDERSTANDING OF THE UNITED STATES GOVERNMENT THAT THE GOVERNMENT OF INDONESIA DOES NOT CONTEMPLATE THE ADOPTION OF TAX MEASURES WHICH WOULD HAVE AN ADEVERSE EFFECT ON THE COMPETITIVE POSITION OF AMERICAN-OWNED FIRMS.

"PLEASE ACCEPT RENEWED ASSURANCES ETC."

KISSINGER

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PAGE 03 STATE 161394

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NNN



## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, TAX AGREEMENTS, INCOME TAXES, MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 25 JUL 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** kelleyw0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974STATE161394  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** NGORDON/IMW:TRSY/OS  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740201-1160  
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**Handling Restrictions:** n/a  
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**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN TRSE  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** JAKARTA 6079 AND 8203; STATE 150126  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** kelleyw0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 JUL 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 JUL 2002 by elyme>; APPROVED <27 FEB 2003 by kelleyw0>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** INCOME TAX TREATY  
**TAGS:** EFIN, ID, US  
**To:** JAKARTA  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005